

UMSHWATHI MUNICIPALITY


ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2011

In terms of section 126 (1) of the Municipal Finance Management Act, I am responsible for the annual financial statements, which are set out on pages 1 to 33, and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.



M.V. Cebekhulu
MUNICIPAL MANAGER

31 August 2011
Date

20/11/11

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GENERAL INFORMATION

The constitution of Council For the period 1 July 2010 to 25 May 2011 was as follows:

SPEAKER OF COUNCIL : Cllr. G.S. Maseko

MEMBERS OF THE EXECUTIVE COMMITTEE

Councillor	B.M. Gwala	:	Mayor, Exco. Chairperson
Councillor	S.S.Mbhele	:	Deputy Mayor
Councillor	M.J. Mkhize	:	Exco Member
Councillor	T.I. Gabela	:	Exco Member

MEMBERS OF THE UMSHWATHI MUNICIPAL COUNCIL

PR	:	Cllr. S.S. Mbhele
PR	:	Cllr. E.W. Eggers
PR	:	Cllr. T.I. Gabela
PR	:	Cllr. V.I. Gumede
PR	:	Cllr. A.G. Solomon
PR	:	Cllr. T.A. Hlatwayo
PR	:	Cllr. T.P. Phakathi
PR	:	Cllr. S.C. Gabela
PR	:	Cllr. D.A. Ndlela
PR	:	Cllr. C.B. Khonney
PR	:	Cllr. V.M. Mncwabe
W1	:	Cllr. M.P. Dlamini
W2	:	Cllr. N.P. Nene
W3	:	Cllr. B.E. Mbatha
W4	:	Cllr. G.S. Maseko
W5	:	Cllr. X.F. Maphumulo
W6	:	Cllr. A.T. Thusi
W7	:	Cllr. R. Mungroo
W8	:	Cllr. M.J. Mkhize
W9	:	Cllr. M. Goba
W10	:	Cllr. M.M. Nkala
W11	:	Cllr. B.M. Gwala

MAYOR : **Councillor B.M. Gwala**

DEPUTY MAYOR : **Councillor S.S. Mbhele**

The constitution of the Council since 26 May 2011 is as follows:

SPEAKER OF COUNCIL : Cllr. N.M.N. Msomi

MEMBERS OF THE EXECUTIVE COMMITTEE

Councillor	B.M. Gwala	:	Mayor, Exco. Chairperson
Councillor	S.S. Mbhele	:	Deputy Mayor
Councillor	M.J. Mkhize	:	Exco Member
Councillor	A.T. Thusi	:	Exco Member
Councillor	V.M. Mncwabe	:	Exco Member

CATEGORY OF LOCAL AUTHORITY

CATEGORY TWO (2)

AUDITORS

AUDITOR-GENERAL SOUTH AFRICA

BANKERS

FIRST NATIONAL BANK

REGISTERED OFFICE

Main Road
New Hanover
3230

TELEPHONE

033 - 5020282

MUNICIPAL MANAGER

Mr. M.V. Cebekhulu

CHIEF FINANCIAL OFFICER

Mr. R.M. Mani

MEMBERS OF THE UMSHWATHI MUNICIPAL COUNCIL

PR	:	Cllr. N.M.N. Msomi
PR	:	Cllr. S.J. Luthuli
PR	:	Cllr. R. Mungroo
PR	:	Cllr. N.R. Khanyile
PR	:	Cllr. N.A. Thusi
PR	:	Cllr. N.P. Mdunge
PR	:	Cllr. T.A. Hlatswayo
PR	:	Cllr. M.M. de Vries
PR	:	Cllr. V.M. Mncwabe
PR	:	Cllr. Z.A. Thusi
PR	:	Cllr. N.H. Hlophe
PR	:	Cllr. T.I. Gabela
PR	:	N.L. Shabangu
W1	:	Cllr. M.P. Dlamini
W2	:	Cllr. P.M. Dladla
W3	:	Cllr. S.S. Mbhele
W4	:	Cllr. G.S. Maseko
W5	:	Cllr. G.H. Ngcobo
W6	:	Cllr. S.R.G. Gumede
W7	:	Cllr. S.M. Mbatha-Ntuli
W8	:	Cllr. B.M. Gwala
W9	:	Cllr. E.B. Mbongwe
W10	:	Cllr. M.J. Mkhize
W11	:	Cllr. A.T. Thusi
W12	:	Cllr. S.A. Duma
W13	:	Cllr. M. Goba

MAYOR : **Councillor B.M. Gwala**

DEPUTY MAYOR : **Councillor S.S. Mbhele**

APPROVAL OF FINANCIAL STATEMENTS

The Annual Financial Statements set out on page 12 to 30 were approved by the Municipal Manager on 26 August 2011 and presented to and approved by Council on 26 August 2011.



MUNICIPAL MANAGER
(Accounting Officer)
26 August 2011



CHIEF FINANCIAL OFFICER
26 August 2011

Accounting Officer's Report

1 OPERATING RESULTS

Details of operating results, classification and object of expenditure are included in appendices C and D. A summary of the operating for the year under review is set out hereunder

	2010/2011	2009/2010
1.1 Rate and General Services		
Expenditure		
Ordinary	62,711,562	49,343,069
Capital	0	0
	<u>62,711,562</u>	<u>49,343,069</u>
Income		
Assessment Rates	11,587,873	10,940,607
Other	65,683,665	58,062,006
	<u>77,271,538</u>	<u>69,002,613</u>
Accumulated Surplus		
Surplus/(Deficit) for year	14,559,976	19,659,544
Surplus brought forward	<u>14,559,976</u>	<u>19,659,544</u>

2 CAPITAL EXPENDITURE AND FINANCING

	2010/2011	2009/2010
Expenditure		
Rate and General Services	13,178,865	19,278,284
	<u>13,178,865</u>	<u>19,278,284</u>
Financing		
Grants and Subsidies	10,848,394	16,840,132
Revenue Contributions to Capital Outlay	2,330,471	2,438,152
	<u>13,178,865</u>	<u>19,278,284</u>

3 REVENUE

Rates form 15.00% of the total income of the municipality, the remainder of the income is generated by grants and trading services, The Equitable Share received from National Government forms the bulk of the municipalities income amounting to R 41 165 122.

Interest received on Investments and the current amounts is R 381 768 and Interest on arrear accounts amounted to R 4 982 578.

4 EXPENDITURE

Employee costs amounts to R24.98 million and forms 40% of total expenditure of the municipality, while repairs and maintenance amounted to R3 719 569 and forms 6% of total expenditure.

Certain votes have been overspent and were as a result of unforeseen expenditure and certain elements of inadequate budget provision.



Accounting Officer

Date 26 August 2011

UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

1. BASIS OF PRESENTATION

The Annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP).

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 9	Revenue
GRAP 12	Inventories
GRAP 13	Leases
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Asset

GRAP statements 4, 6, 7, 8, 10, 11, 14 and 16 have not been implemented since they do not affect the operations of the municipality.

GRAP statements 18, 21, 23, 24, 26 and 103 are not being implemented since they are issued but not effective.

These accounting policies are consistent with those of the previous financial year except for the exemptions that applied in the previous year.

These accounting policies and the applicable disclosures have been based on Standards Of International Public Sector Accounting Standards (PSAS) issued by the International Federation of Accountants-Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board, of Generally Accepted Accounting Practice issued by the South African Accounting Practice Boards and the South African Institute of Chartered Accountants' Accounting Practice Committee.

The principal accounting policies adopted in the preparation of these annual financial statements, which have been consistently applied. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standards GRAP.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 01 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 01 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the of the Housing Development Fund can be used only to finance housing developments within the municipality area subject to the approval of the Provincial MEC responsible for housing.

5. RESERVES

5.1 *Revaluation Reserve*

A revaluation reserve is created in the event where the values of items of property, plant and equipment are valued up. The increased amount of revaluation is credited to the revaluation reserve. Any subsequent revaluations of items of property, plant and equipment is charged against this revaluation reserve.

6. ASSETS

6.1 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation. Land is not depreciated as it is deemed to have an indefinite life.

The cost of items of property, plant and equipment acquired in exchange for a non-monetary or monetary asset, or a combination of monetary and non-monetary assets

Is measured at its fair value .If the cost cannot be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

The GRAP Standard on Impairment of Assets is applied to determine whether an item of property, plant and equipment need to be impaired.

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

Depreciation is calculated based on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	YEAR	OTHER	YEARS
Infrastructure			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Air Conditioners	5
Electricity	20	Other Vehicles	5
Housing	30	Office equipment	5
Street Lights	25	Furniture and Fitting	10
		Radios	5
Community		Other items of plant and equipment	3
Buildings	30	Computers and Computer Software	5
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged against the Revaluation reserve.

6.2 INTANGIBLE ASSETS

Computer Software is identified as Intangible Assets and is disclosed as such in the financial statements. The intangible asset is amortised over its useful life. Intangible assets are disclosed at cost less amortization in the financial statements.

7. FINANCIAL INSTRUMENTS

Financial Instruments, which include fixed deposits and short-term deposits invested in registered banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the loss, which is recognized as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Debtors have not been discounted as required by IAS 39 since the bulk of the debtors are rates debtors and arrear accounts are charged interest on the arrear balance on a monthly basis.

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

7.1 ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realisable value. The bulk of the outstanding debtors are made up of rates and interest raised on arrear accounts over the years. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. No bad debts were written off during the year. Amounts that are receivable within 12 months from the reporting date are classified as realisable

7.2 TRADE CREDITORS

Trade creditors are stated at their nominal value.

7.3 CASH AND CASH EQUIVALENTS

Cash includes cash on hand and with banks. Cash equivalents are short- term highly liquid investments that are held with registered banking institutions with maturities of six months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdraft.

8. INVENTORIES

The only inventory held is that of consumable stores. The cost of consumable stores is expensed at the time of purchase.

09. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

10. REVENUE RECOGNITION

10.1 Revenue from exchange transactions

Service charges relating to refuse removal are recognized on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month

Interest and rentals are recognized on a time proportionate basis.

Revenue arising from the application of the approved tariff of charges is recognized when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

Income for agency services is recognized on a monthly basis once the income collected on behalf of agents has been quantified. The income recognized is in terms of an agency agreement.

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognized on a time proportionate basis.

Revenue from public contributions is recognized when all conditions associated with the contribution have been met or, where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment is brought into use.

Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

10.2 Revenue from non-exchange transactions

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Penalty interest on unpaid rates is recognized on a time proportionate Basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received.

Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognized when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof from the responsible Councillors or officials is virtually certain.

11. CONDITIONAL GRANT AND RECEIPTS

Revenue received from conditional grants and donations is recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligation have not been met, a liability is recognized.

12 PROVISIONS

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

**UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

Bank overdrafts are recorded based on the facility utilized. Finance charges on bank overdraft are expensed as incurred.

13 LEASES

Leases for photocopiers are recognised as operating leases and the contractual lease payments are recognised as expenses over the term of the lease.

The hire purchase agreement for the mayor's vehicle is classified as a finance lease and is recognised as an asset in the statement of financial position and the lessor is disclosed as a finance lease obligation.

14. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003), Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

15. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal System Act (Act No. 32 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

16. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. COMPARATIVE INFORMATION

17.1 Current Year Comparatives

Budgeted amounts have been included in the annual financial statements for the current and previous financial years

17.2 Prior Year Comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified.

UMSHWATHI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011

	Note	2011 R	2010 R
ASSETS			
Non - current assets		87,514,515	84,140,270
Property , plant and equipment	6	87,434,054	83,644,557
Intangible Assets	7	80,461	160,922
Long term receivables	8	0	334,791
Current assets		37,498,301	24,325,810
Consumer debtors	9	29,902,973	17,830,542
Other debtors	10	2,299,917	2,274,573
Current portion of long term debtors	8	0	111,597
Value added tax	5	1,299,225	209,269
Call investment deposits	11	3,672,541	3,177,377
Bank balances and cash	12	323,645	722,452
Total Assets		<u>125,012,816</u>	<u>108,466,080</u>
Non - current liabilities		25,383,796	25,833,628
Long term liabilities	2	25,139,486	25,538,606
Finance Lease Obligation	2	224,311	295,022
Current liabilities		13,545,900	12,668,356
Creditors	3	7,297,412	6,804,938
Finance Lease Obligation	2	70,711	62,810
Unspent conditional grants and receipts	4	3,926,208	3,278,018
Bank overdraft		0	0
Current portion of long term liabilities	2	2,251,569	2,522,592
Total Liabilities		<u>38,909,696</u>	<u>38,501,983</u>
Net Assets		<u>86,103,120</u>	<u>69,964,096</u>
NET ASSETS			
Net assets		86,103,120	69,964,096
Housing Development Fund	1	2,899,376	2,921,274
Capital Revaluation Reserve		4,619,502	6,202,123
Accumulated surplus		78,584,242	60,840,699
		<u>86,103,120</u>	<u>69,964,096</u>

**UMSHWATHI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2011**

BUDGET			ACTUAL		
2010	2011	REVENUE	Note	2011	2010
10,828,796	9,691,423	Property rates	13	11,587,873	10,940,607
800,000	800,000	Property rates - penalties imposed and collection charges		856,182	904,997
1,400,000	1,400,000	Service charges	14	1,398,935	1,403,434
200,000	150,000	Rental of facilities and equipment		155,417	155,469
250,000	100,000	Interest earned - external investments		381,768	307,918
3,250,000	3,750,000	Interest earned - outstanding debtors		4,982,578	4,513,865
400,000	300,000	Fines		121,255	183,213
1,500,000	1,700,000	Income for agency services		1,968,411	1,744,592
36,459,000	44,134,000	Government grants and subsidies	15	44,744,348	31,731,643
171,000.00	156,000.00	Other income	16	230,593	276,742
		Capital Funding	15	10,844,178	16,840,132
55,258,796	62,181,423	Total Revenue		77,271,538	69,002,612
EXPENDITURE					
22,661,542	26,386,799	Employee related costs	17	24,983,099	21,605,588
4,212,600	4,795,624	Remuneration of Councillors	18	4,341,717	3,950,012
		Bad debts			
150,000	150,000	Collection costs		0	399,203
		Amortisation of intangible Assets		80,461	84,389
5,116,000	2,100,000	Depreciation		7,806,748	5,990,087
4,797,500	6,829,500	Repairs and maintenance		3,719,569	3,447,577
2,100,000	2,500,000	Interest paid	19	2,386,954	2,647,914
400,000	100,000	Contracted services		439,009	253,888
15,771,000	18,219,500	General expenses	24.7	18,058,157	10,942,296
50,000	100,000	Contribution to Reserves		838,621	0
	1,000,000	Contribution to Capital		0	0
55,258,642	62,181,423	Total Expenditure		62,654,334	49,300,934
154	-	Surplus/(Deficit) for the year		14,617,204	19,701,679

Refer to Appendix E.1 for explanation of variances

UMSHWATHI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2011

2011	Pre-GRAP Reserves and Funds R	Non-distributable Reserves R	Housing Development Fund R	Capital Replacement Reserve R	Revaluation Reserve R	Accumulated Surplus R	Total R
Balance at 30 June 2010	-	-	2,921,274	6,202,123	-	60,871,327	69,994,724
Adjust financials to agree to main ledger	-	-	2,921,274	-	-	-	-
Implementation of GRAP	-	-	-	-	-	-	-
	-	-	2,921,274	6,202,123	-	60,871,327	69,994,724
Surplus (deficit) for the year						14,617,204	14,617,204
Prior Year Adjustment						16,413	16,413
Reduction in Bad Debt Provision						3,079,298	3,079,298
Impairment				(1,582,621)		(1,582,621)	(1,582,621)
	-	-	2,921,274	4,619,502	-	78,584,242	86,125,018

uMSHWATHI LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 R	2010 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		77,342,044	57,221,176
Cash paid to suppliers and employees		(51,598,779)	(40,728,745)
Cash generated from (utilised in) operations	21	25,743,266	16,492,431
Interest received		381,768	307,918
Interest paid		(2,386,954)	(2,647,914)
NET CASH FROM OPERATING ACTIVITIES		<u>23,738,080</u>	<u>14,152,435</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(13,178,865)	(19,278,284)
Purchase of housing infrastructure		-	-
Proceeds on disposal of property, plant and equipment		-	-
(Increase) decrease in investment properties		-	-
(Increase) decrease in non - current receivables		446,388	(18,279)
(Increase) decrease in working capital		(10,264,149)	-
(Increase) decrease in call investments		(495,164)	1,985,625
NET CASH FROM INVESTING ACTIVITIES		<u>(23,491,790)</u>	<u>(17,310,938)</u>
CASH FLOWS FROM FROM FINANCING ACTIVITIES			
New loans raised (repaid)/Other Capital Receipts		(645,096)	3,886,207
Increase (decrease) in consumer deposits		-	(118,227)
Increase (decrease) in short term loans		-	-
NET CASH FROM FINANCING ACTIVITIES		<u>(645,096)</u>	<u>3,767,980</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		<u>(398,806)</u>	<u>609,478</u>
Cash and cash equivalents at the beginning of the year		722,452	112,974
Cash and cash equivalents at the end of the year		<u>323,645</u>	<u>722,452</u>
		<u>(398,806)</u>	<u>609,478</u>

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
1 HOUSING DEVELOPMENT FUND		
Housing Development Fund		
Unappropriated Surplus		
Loans extinguished by Government on 1 April 1998	2,899,376	2,921,274
	<u>2,899,376</u>	<u>2,921,274</u>
The Housing Development Fund is represented by the following assets and liabilities		
Housing selling scheme loans (see note 13)	0	446,388
Housing rental and instalment debtors (see note 15)	1,307,631	1,260,562
Debtors - Department of Housing	165,332	165,332
Bank and cash	1,426,413	1,048,992
Sub - total	2,899,376	2,921,274
Creditors		
Total Housing Development Fund Assets and Liabilities	<u>2,899,376</u>	<u>2,921,274</u>
2 LONG TERM LIABILITIES		
Capitalised lease liability		
External loans	27,391,055	27,964,756
	<u>27,391,055</u>	<u>27,964,756</u>
Less current portion transferred to current liabilities	-2,251,569	(2,426,150)
	<u>25,139,486</u>	<u>25,538,606</u>
Finance Lease Obligation		
Minimum Lease Payment Due		
- within 1 year	95,302	97,197
- within 2nd and 5th year inclusive	256,949	326,449
	<u>352,250</u>	<u>423,646</u>
Less future finance costs	(57,228)	(65,814)
	<u>295,022</u>	<u>357,832</u>
Present Value of minimum lease payments		
- within 1 year	70,711	62,810
- within 2nd and 5th year inclusive	224,311	295,022
	<u>295,022</u>	<u>357,832</u>
The lease term is 5 years. The finance charges is recognised as an expense in the statement of financial performance. The leased assets is included in Property Plant and equipment in Note 6		
Net Long Term Liabilities		
External Loans	25,139,486	25,538,606
Finance Lease Obligation	224,311	295,022
	<u>25,363,796</u>	<u>25,833,628</u>
3 CREDITORS		
Trade creditors	199,066	376,333
Accrued interest - external loan	1,044,683	1,296,628
Staff leave	1,142,692	850,619
VAT provision	93,481	95,575
Payments in advance	68,154	-
Sundry loans	104,117	70,128
Retention payable	103,898	103,898
Housing/Conditional Funding	3,120,210	1,892,937
Deposits other	3,304	3,304
Other creditors	1,417,807	2,115,514
	<u>7,297,412</u>	<u>6,804,938</u>
4 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
4.1 Conditional grants from other spheres of government	3,926,208	3,278,016
Total conditional grants and receipts	<u>3,926,208</u>	<u>3,278,016</u>
MIG	0	2,894,463
District: Tourism		
General Grant	58,025	58,025
MAP	0	-
Housing Plan	66,901	66,901
DPLG	0	-
DoE	3,392,285	-
FMG	342,186	-
MSIG	66,811	258,627
	<u>3,926,208</u>	<u>3,278,016</u>
5 VAT		
VAT refundable	1,299,225	209,269
VAT is payable on the receipts basis		

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

6 PROPERTY, PLANT AND EQUIPMENT

2011 2010

30-Jun-2011

Reconciliation of carrying value	Land and Buildings	Infrastr- ucture	Furniture & Equipment	Vehicles	Machinery & Tools	Total
Carrying value at 1 July 2010						
Cost	43,021,516	53,667,382	2,599,832	3,296,223	639,446	103,224,399
Revaluation	5,563,446	600,029	(665,622)	-		5,497,853
Accumulated depreciation						
- Cost	(3,609,938)	(18,225,324)	(1,668,737)	(2,025,119)	-431,528	(25,960,646)
- Revaluation	(1,241,195)	1,884,833	239,313	-		882,951
	43,733,829	37,926,920	504,786	1,271,104	207,918	83,644,557
Acquisitions	837,173	6,798,332	572,084	-		8,207,569
Capital under construction	1,135,583	3,835,714				4,971,297
Revaluation: Cost		(1,582,621)				(1,582,621)
Revaluation: Depreciation						-
Depreciation						
- based on cost	(1,044,720)	(5,875,583)	(273,141)	(527,396)	-85,906	(7,806,748)
- based on revaluation						
Carrying value of disposals						
Cost/revaluation						-
Accumulated depreciation						-
Carrying value at 30 JUNE 2011						
Cost	44,994,272	62,718,807	3,171,896	3,296,223	639,446	114,820,644
Revaluation	5,563,446	600,029	(665,622)	-		5,497,853
Accumulated depreciation						
- Cost	(4,654,658)	(24,100,907)	(1,941,876)	(2,552,515)	-517,438	(33,767,394)
- Revaluation	(1,241,195)	1,884,833	239,313	-		882,951
	44,661,865	41,102,762	803,709	743,708	122,010	87,434,054
Reconciliation of carrying value	Land and Buildings	Infrastr- ucture	Furniture & Equipment	Vehicles	Machinery & Tools	Total
Carrying value at 1 July 2009						
Cost	39,609,270	37,801,344	2,599,832	3,296,223	639,446	83,946,115
Revaluation	5,563,446	600,029	(665,622)	-		5,497,853
Accumulated depreciation						
- Cost	(2,816,506)	(13,763,004)	(1,668,737)	(1,290,784)	(431,528)	(19,970,559)
- Revaluation	(1,241,195)	1,884,833	239,313	-		882,951
	41,115,015	26,523,202	504,786	2,005,439	207,918	70,356,360
Acquisitions	2,238,102	12,054,502				14,292,604
Capital under construction	1,174,143	3,811,536				4,985,680
Revaluation: Cost						-
Revaluation: Depreciation						-
Depreciation						
- based on cost	(793,432)	(4,462,320)		(734,335)		(5,990,087)
- based on revaluation						
Carrying value of disposals						
Cost/revaluation						-
Accumulated depreciation						-
Carrying value at 30 JUNE 2010						
Cost	43,021,516	53,667,382	2,599,832	3,296,223	639,446	103,224,399
Revaluation	5,563,446	600,029	(665,622)	-		5,497,853
Accumulated depreciation						
- Cost	(3,609,938)	(18,225,324)	(1,668,737)	(2,025,119)	(431,528)	(25,960,646)
- Revaluation	(1,241,195)	1,884,833	239,313	-		882,951
	43,733,829	37,926,920	504,786	1,271,104	207,918	83,644,557

Refer to Appendix B for more detail on property, plant and equipment

Assets Under Construction:

Electrification	3,835,715	3,609,503
P423 Road	0	202,034
Estezi Community Hall	126,811	150,966
Sports Centre	1,008,772	423,378
	4,971,298	4,385,880

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011 2010

7 INTANGIBLE ASSETS

Software Licences and LAN Network		
Cost	321,844	321,844
Amortisation	-241,383	(160,922)
	80,461	160,922

The software and network is being amortised over 5 years being its useful life

8 LONG TERM RECEIVABLES

Housing loans	0	448,388
Less: Short term portion transferred to Sundry Debtors	0	(111,597)
	0	334,791

9 CONSUMER DEBTORS

Balances at 30 June 2010

	Gross balance	Provision for doubtful debts	Net balance
Service debtors	1,608,837	1,300,418	308,419
Rates	21,374,407	0	21,374,407
Housing	642,028		642,028
Other	19,300,686	11,722,567	7,578,119
Total	42,925,958	13,022,985	29,902,973

Balances at 30 June 2009

Service debtors	1,189,838	904,298	285,538
Rates	18,327,194	0	18,327,194
Housing	872,579		872,579
Other	15,743,217	15,197,986	545,231
Total	33,932,825	16,102,284	17,830,542

Rates: Ageing

Current (0 - 30 days)	1,488,206	1,432,443
31 - 60 days	933,237	882,480
61 to 90 days	844,393	821,393
91 - 120 days	814,865	791,200
121 days and over	17,313,706	13,041,601
Total	21,374,407	16,969,097

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
Refuse and other : Ageing		
Current (0 - 30 days)	682,974	1,278,502
31 - 60 days	694,635	550,992
61 to 90 days	669,708	518,460
91 - 120 days	639,338	497,831
121 days and over	18,864,896	14,759,848
Total	<u>21,551,551</u>	<u>17,605,631</u>
	<u>42,925,958</u>	<u>34,574,729</u>

An estimate is made of doubtful debts based on a review of all outstanding debtors at year end. Interest is charged on individual debtor accounts once they go into arrears. The current provision is considered adequate since the bulk of the debtors are rates debtors and Government departments.

10 OTHER DEBTORS

District Municipality	220,204	220,204
Thokazane housing	1,438,745	1,438,745
Councillors	0	6,395
Department of Housing	165,332	165,332
Accrued Interest	31,292	90,689
Other	444,345	353,210
Total other debtors	<u>2,299,917</u>	<u>2,274,573</u>
less: Provision for doubtful debts	0	-
	<u>2,299,917</u>	<u>2,274,573</u>

11 CALL INVESTMENT DEPOSITS

Other deposits	<u>3,672,541</u>	<u>3,177,377</u>
	<u>3,672,541</u>	<u>3,177,377</u>

Investments are 32 day and /or 90 day money market accounts. A call account is also held in which the equitable share is transferred when received. Funds are transferred from the call account as and when required.

12 BANK,CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts:

Current account (Primary bank account)

First National Bank -
Account number - 62025429232

Cash book balance at beginning of year (overdrawn)	720,106	110,626
Cash book balance at end of year	321,300	720,106
Bank statement balance at beginning of year	717,820	127,910
Bank statement balance at end of year	307,931	717,820

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
13 PROPERTY RATES		
Actual		
Agricultural	3,590,663	3,390,099
Residential	2,861,290	2,701,466
Commercial	1,318,142	1,244,514
Public service infrastructure	3,153,592	2,977,441
State	664,186	627,087
Other		
Total assessment rates	<u>11,587,873</u>	<u>10,940,607</u>
Valuations		
Agricultural	1,815,124,000	1,815,124,000
Residential	264,634,000	264,634,000
Commercial	161,170,000	161,170,000
Public service infrastructure	425,861,000	425,861,000
State	44,007,000	44,007,000
Other	13,353,000	13,353,000
Total property valuations	<u>2,724,149,000</u>	<u>2,724,149,000</u>
The comparative figure for the rates income has been restated to take into account the reduction in rates income after the adjustments for successful objections.		
14 SERVICE CHARGES		
Refuse removal	1,398,935	1,403,434
Water, sewer and other charges	0	-
	<u>1,398,935</u>	<u>1,403,434</u>
15 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	41,165,122	29,627,353
Clinic subsidy	1,479,596	0
Conditional grants utilised	<u>12,943,808</u>	<u>2,104,340</u>
	<u>55,588,526</u>	<u>31,731,693</u>
Refer Appendix F		
16 OTHER INCOME	<u>230,592</u>	<u>278,742</u>
Fees: Photocopies	11,938	11,729
Fees: Rates Clearance	4,389	5,012
Library Fines	1,705	0
Interest: Current Account	27,381	12,459
Fees	13,213	983
Community Hall	16,765	9,537
Maintenance	126,422	55,530
Cemetery	9,868	8,984
Postal Service	18,911	21,817
Sundry		150,691
	<u>230,592</u>	<u>278,742</u>

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
17 EMPLOYEE RELATED COSTS		
Employee related costs - salaries and wages	18,393,435	16,794,246
Employee related costs - contributions to UIF, pension and medical costs	3,537,817	3,280,573
Travel, vehicle, accommodation, subsistence and other allowances	1,088,972	973,379
Housing benefits and allowances	210,395	28,810
Overtime payments	409,607	251,317
Bonus	942,122	
Skills Levy/Protective Clothing/Bargaining Council	400,751	277,264
Sub-total	24,983,099	21,605,588
Less: Employee costs allocated to Property, Plant and Equipment		
Less: Employee costs included in other expenses		
Total employee related costs	24,983,099	21,605,588

There were no loans to employees.

Remuneration of the Municipal Manager		
Annual remuneration	583,761	550,718
Bonus		
Car allowance	127,200	120,000
Contributions to Medical and Pension Funds and UIF	105,252	99,294
	816,213	770,013
Remuneration of the Chief Financial Officer		
Annual remuneration	471,057	455,757
Bonus	15,000	13,620
Car allowance	96,000	79,680
Contributions to Medical and Pension Funds	943	943
	583,000	550,000

Remuneration of other managers
30-Jun-2010

	Corporate Services	Technical Services	Community Services
Annual remuneration	495,000	331,334	495,000
Bonus			
Car allowance		85,797	
Contributions to Medical and Pension Funds		77,869	
	495,000	495,000	495,000
30-Jun-2011			
Annual remuneration	459,612	361,214	397,865
Bonus			13,260
Car allowance	65,088	86,847	74,794
Contributions to Medical and Pension Funds		86,839	36,791
	524,700	524,700	524,700

18 REMUNERATION OF COUNCILLORS

Mayor	572,109	572,109
Deputy Mayor	254,873	254,873
Speaker	254,873	254,873
Executive committee members	499,189	479,221
Councillors	2,760,873	2,388,937
	4,341,717	3,950,012

Being a full time councillor the Mayor has the use of an office and a mayoral vehicle for official duties

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
19 INTEREST PAID		
External loans	2,386,954	2,647,914
Operating Lease Payments	321,732	516,909
Finance leases	57,228	65,814
	<u>2,765,914</u>	<u>3,230,637</u>
 Operating Leases - Rental: Copiers		
The municipality has recognised the leases on photocopiers as operating leases and recognised the contractual payments as expenses.		
Operating Lease Commitments:		
- within 1 year	249,870	301,968
- within 2nd and 5th year inclusive	475,584	760,956
 20 PRIOR PERIOD ERRORS		
Restatement of Expenditure iro 2008/09 during 2010	0	-
Depreciation		(64,369)
Amortisation of Intangible Assets		64,369
Restatement of Property, Plant and Equipment and Intangible Assets iro 2008/09 during 2010		(225,921)
Property Plant and Equipment		225,921
Overprovision of expenditure:		
S&T: 8 407.00; Stationery: 6 828.00; R&M: 1 178.00	16,413	
Restatement of Long Term Liabilities due to recognising the financing of the Mayor's vehicle as a Finance Lease.		
External Loans		
Original Amount		25,865,810
Restated Amount		25,638,806
Finance Lease Obligation		
Original Amount		-
Restated Amount		295,022
Accumulated Surplus		
Original Amount		60,871,327
Restated Amount		60,840,699
 21 CASH GENERATED BY OPERATIONS		
Surplus (deficit) for the year	14,617,204	19,835,865
Deficit - Housing operating account		-
Adjustment for:		
Prior year		
Depreciation	7,806,748	6,990,087
Reversal of Water Debtors	0	(5,484,835)
Contributions to provisions- non-current		
Contributions to provisions - current		
Contributions to bad debt provision		
Investment Income	-381,768	(307,918)
Interest paid	2,386,954	2,647,914
Operating deficit before working capital changes	24,429,138	22,481,113
(Increase) decrease in consumer debtors	-8,993,132	-
(Increase) decrease in other debtors	-25,344	-
(Increase) decrease in VAT debtor	-1,089,956	-
Increase (decrease) in conditional grants and receipts	-648,192	-
Increase (decrease) in creditors	492,474	-
(Increase) decrease in current portion of long term debtors	111,597	-
	<u>14,276,585</u>	<u>22,481,113</u>
 22 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following amounts:		
Bank balances and cash	2,346	2,346
Cash on Hand	321,300	720,106
	<u>323,645</u>	<u>722,452</u>
 23 RELATED PARTY TRANSACTIONS		
23.1 The wife of Councillor M.J. Mkhize has an interest in Silver Stars, the service provider performing the grass cutting function in New Hanover.		
	363,500	

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

24 24.1 Contributions to organised local government

Opening balance		
Council contributions	0	-
Amount paid - current year	0	-
Amount paid - previous years		
Balance unpaid (included in creditors)	0	-

24.2 Audit fees

Amount paid current year	829,218	566,067
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24.3 VAT

Opening balance	227,554	240,973
Current year output VAT	-529,513	(969,879)
Current year input VAT	3,627,571	3,279,010
Amount paid - current year		
Amount refunded by SARS - current	-2,007,701	(2,302,549)
Amount due by SARS - included in debtors	1,317,911	227,554

All VAT returns have been submitted by the due date.

24.4 PAYE and UIF

Current year payroll deductions and Council UIF contributions	3,770,347	2,924,828
Amount paid - current year	3,770,347	2,924,828

24.5 Pension and medical aid deductions

Current year payroll deductions and Council contributions	4,252,084	3,668,815
Amount paid - current year	4,252,084	3,668,815

24.6 Councillors arrear consumer accounts

No Councillors had arrear accounts outstanding for more than 90 days as at :

30 June 2008	Total	Outstanding less than 90 days	Outstanding more than 90 days
	-	0	-
30 June 2009	Total	Outstanding less than 90 days	Outstanding more than 90 days
		0	-

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
24.7 General Expenses: Detail		
Advertisements	201,723	126,286
Arts and Culture	82,475	0
Audit Fee: External	829,218	566,067
Bank Charges	75,280	41,166
Bursaries	9,357	0
Chemicals and Oil Dispersants	11,166	1,708
Communication: Budget Process	440,450	900
Conferences & Seminars	438,711	85,604
Crime Prevention	4,447	28,937
Entertainment	0	5,372
FBS & FBE	750,360	688,524
HIV/AIDS	46,198	0
Hospitality/Mayor's Outreach Program	143,287	24,115
Housing Plan	0	13,064
IDP Review	551,584	99,223
Information Technology	821,305	495,810
Insurance	253,704	233,562
Internal Audit	243,528	0
Law Enforcement	123,527	38,358
LED Projects	1,858,705	288,169
Legal Expenses/Bylaws	292,595	475,394
Levy: Research	0	1,317
Lost Books	0	879
Machinery Costs	284	20,305
Materials	138,457	114,540
Medical Supplies	53,528	30,915
Office Equipment	4,415	2,261
Pauper Burials	93,672	70,983
Plant Hire	43,450	18,972
Postage & Stamps	66,202	96,641
Printing and Stationery	331,704	423,099
Purchases: Electricity	723,552	560,723
Purchases: Water	0	109
Refreshments	205,996	93,896
Refuse Removal	876,604	1,066,833
Rental: Copiers	321,732	516,909
Road Signs	33,183	1,683
Security	1,115,279	1,291,829
Small Scale Disasters	75,945	14,898
Social Empowerment	156,266	148,528
Special Projects	505,669	4,000
Sports Promotion	389,380	436,036
Subscriptions	165,547	10,397
Subsistence and Travelling	749,527	541,809
Sundries	17,547	10,371
Telephones	1,079,682	1,077,303
Tools	25,067	1,356
Towing of Vehicles	2,355	0
Town Planning	69,862	54,383
Training	765,963	18,573
Transport/Vehicle Cost	1,437,275	757,433
Valuation Fees	1,208,801	163,647
Ward Committees	71,791	101,755
Water Quality Monitoring	3,033	2,822
Workmans Compensation	50,190	14,473
Youth Desk	155,810	104,698
	18,115,385	10,984,432

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
25 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure:		
- approved and contracted for		
Infrastructure	8,500,000	4,000,000
- approved but not yet contracted for		
Infrastructure	23,335,000	9,200,000
Land and buildings	1,150,000	1,580,000
Community	500,000	9,450,000
	<u>33,485,000</u>	<u>24,230,000</u>
This expenditure will be financed from		
- capital replacement reserve	0	3,730,000
- government grants	33,485,000	20,500,000
- external loans	0	-
	<u>33,485,000</u>	<u>24,230,000</u>

26 RETIREMENT BENEFIT INFORMATION

Certain Councillors and Certain employees belong to defined benefit plan of the Natal Joint Superannuation and Retirement funds, and the Municipal Councillors' Pension Fund. Employees of uMshwathi make up less 1 % of the total members of the funds, uMshwathi's liability in these funds could not be determined owing mainly to the assets not being allocated to each Municipality and one set of financials being prepared for each fund and not per municipality. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2005.

Current Year's Contribution	4,252,064	3,666,815
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26.1 SUPERANNUATION FUND

The actuarial value of total assets was R121,7 million more than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

- 26.1.1. surplus of R 210 million in respect of pensioners (funding level 119,4%)
- 26.1.2. deficit of R 86,3 million in respect of members (funding level 95 %)
- 26.1.3. the fund was thus 104,3% funded
- 26.1.4. the fund did not hold an investment reserve.
- 26.1.5. the total contribution rate payable, including the surcharge by and on behalf of members, exceeded that required for future service by 1,41% of member's pensionable emoluments
- 26.1.6. An additional contribution by way of a surcharge amounting to 6% of salaries is currently in place to fund the deficit. This surcharge will reduce to 4,5 per cent with effect from 1 July 2007.

26.2 RETIREMENT FUND

The actuarial value of total assets was R140,9 million less than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

- 26.2.1. surplus of R63,4 million in respect of pensioners (funding level 116,2%)
- 26.2.2. deficit of R204,3 million in respect of members (funding level 73,0%)
- 26.2.3. the fund was thus 87,7% funded
- 26.2.4. the fund did not hold an investment reserve
- 26.2.5. the total contribution rate payable (including the surcharge of 14% payable jointly by pre-1 July 2002 members and by employers on their behalf) exceeded that required for future service by 12,59% of members pensionable emoluments. This should be sufficient to eliminate the deficit by 2010 provided that salary increases do not exceed CPIX plus 0,5 %.

UMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2011

2011 2010

27 CONTINGENT LIABILITIES

The following cases are still pending involving the municipality:

Promac Consulting	
This amount is for consulting fees for a project which was never initiated and the municipality is of the opinion that it is not liable for this cost.	609,878
Siyabonga Protection	
This is for an objection raised by Siyabonga Protection on the award of a security tender.	60,000
CSM Consulting	
This matter is for a claim for work done on a housing project. Any amount paid by the municipality is claimed back from the Department of Human Settlement.	100,000

28 IRREGULAR EXPENDITURE

0 -

0 -

Deviations from the SCM Policy:

Three quotations were not obtained for the following expenditure:

Hiring of Marquee (Sponsorship)	Star Hire	10253	4,999	-
Catering	Albert Falls Guest Lodge	896561	19,110	-
Training	Training	896295	35,043	-
Planning	Mark Puttick & associates	896231	8,172	-
Car Wash	Dalton Car Wash	896363	3,775	-
Pauper Burial	New Hanover Burial Service	896814	2,500	-
Workshop & Accommodation	Mondazur Resort	896783	54,208	-
Training	University of Free State	896893	39,996	-
Service & Repair to Clinic Fridge	Air Con Industrial Maintenance	897027	11,365	-
Tractor Repairs	Farm Maintenance Services	897169	32,251	-
Photographing	B.T. Maharaj	897270	5,500	-
Travelling	Harvey World Travel	896914	45,193	-
LED - Consultant	S.P. Nyawo	896780	84,840	-
LED - Consultant	S.P. Nyawo	897286	65,320	-
Staff Team Building	Dr. M. Mncwabe	896139	184,652	-
Tar mix	Much Asphalt		112,477	-
Levelling of Sportsfield	Coco Haven		61,600	-
			750,701	0
Total			0	0

Note 29

Reconciliation of Actual and Budget Information

Details	Original Budget	Adjustments (\$ 28)	Final Budget	Actual	Unauthorised Expenditure	Variance	Actual as % of Final Budget	Actual as % of Original Budget
Revenue								
Property Rates	8,691,423.00	1,000,000.00	9,691,423.00	11,587,873.00		1,896,450.00	119.57%	133.33%
Service Charges	1,400,000.00		1,400,000.00	1,398,935.00		-1,065.00	99.92%	99.92%
Investment Revenue	100,000.00	0.00	100,000.00	381,768.00		281,768.00	381.77%	381.77%
Grants: Operational	43,691,000.00	0.00	43,691,000.00	44,744,348.00		1,053,348.00	102.41%	102.41%
Other Revenue	6,814,000.00	485,000.00	7,299,000.00	19,158,614.00		11,859,614.00	262.48%	281.17%
	60,696,423.00	1,485,000.00	62,181,423.00	77,271,538.00	0.00	15,090,115.00	9.66	9.99
Expenditure								
Employee Costs	26,386,799.00		26,386,799.00	24,983,099.00		-1,403,700.00	94.68%	94.68%
Councillor Allowances	4,795,624.00		4,795,624.00	4,341,717.00		-453,907.00	90.53%	90.53%
Depreciation	2,100,000.00	0.00	2,100,000.00	7,887,209.00		5,787,209.00	375.58%	375.58%
Interest Paid	2,500,000.00	0.00	2,500,000.00	2,386,954.00		-113,046.00	95.48%	95.48%
Repairs and Maintenance	6,629,500.00	0.00	6,629,500.00	3,719,569.00		-2,909,931.00	56.11%	56.11%
Other Expenditure	18,284,500.00	1,485,000.00	19,769,500.00	19,393,014.00		-376,486.00	98.10%	106.06%
	60,696,423.00	1,485,000.00	62,181,423.00	62,711,562.00	0.00	530,139.00	8.10	8.18

Surplus/Deficit 0.00 0.00 0.00 14,559,976.00 0.00 14,559,976.00

Capital Recognised 10,844,178.00 Budgeted Surplus 0.00

APPENDIX A
UMSHWATHI LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2011

EXTERNAL LOANS	Loan Number	Interest rate	Redeemable	Balance at 2010/06/30	Received during the year	Redeemed or written off during the year	Balance at 2011/06/30	Carrying value of property plant & equip. R
				R	R	R	R	R
ANNUITY LOAN								
FIRST NATIONAL BANK		Prime less 1,00 %	2018/03/31	9,925,343	0	573,701	9,351,642	
DEVELOPMENT BANK		9,4 %		18,039,413	0	0	18,039,413	
TOTAL EXTERNAL LOANS				27,964,756	0	573,701	27,391,055	0

APPENDIX B
UMSHWATHI LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2011

	Opening Balance	Additions	Cost/ Revaluation Under Construction	Impairment	Closing Balance	Opening Balance	Accumulated Depreciation Additions Disposals	Closing Balance	Carrying Value	Budget Additions 2011
Land and Buildings										
Land	12,453,094	354,900			12,807,994	825,953		825,953	11,982,041	0
Buildings	36,131,867	482,272	1,135,583	-1,582,821	36,167,101	4,025,180	1,044,720	5,069,900	31,097,202	8,990,000
Dams and boreholes	0				0	0		0	0	0
	<u>48,584,962</u>	<u>837,172</u>	<u>1,135,583</u>	<u>-1,582,621</u>	<u>48,975,096</u>	<u>4,851,133</u>	<u>1,044,720</u>	<u>5,895,853</u>	<u>43,079,243</u>	<u>8,990,000</u>
Infrastructure										
Electrification reticulation	3,622,166	0	3,835,715		7,457,881	0		0	7,457,881	15,654,194
Sewer reticulation	0				0	0		0	0	0
Construction works	50,645,245	6,798,331	0		57,443,576	16,340,491	5,875,583	22,216,074	35,227,502	8,260,393
	<u>54,267,411</u>	<u>6,798,331</u>	<u>3,835,715</u>	<u>0</u>	<u>64,901,457</u>	<u>16,340,491</u>	<u>5,875,583</u>	<u>22,216,074</u>	<u>42,685,383</u>	<u>23,914,587</u>
Other Assets										
Office and computer equipment	456,809	306,973			763,782	854,909	0	854,909	-91,127	750,000
Furniture and fittings	1,338,481	265,091			1,603,572	498,317	273,141	771,458	832,114	2,100,000
Tools	71,889				71,889	64,968		64,968	6,921	0
Motor vehicles and major equipment	3,296,223				3,296,223	2,025,119	527,396	2,552,515	743,708	0
Machinery	429,539				429,539	229,276	85,908	315,184	114,365	150,000
Air conditioners	138,920				138,920	76,198		76,198	62,722	0
Other	138,018				138,018	137,284	0	137,284	734	0
	<u>5,869,879</u>	<u>572,064</u>	<u>0</u>	<u>0</u>	<u>6,441,943</u>	<u>3,886,071</u>	<u>886,445</u>	<u>4,772,516</u>	<u>1,669,427</u>	<u>3,000,000</u>
Total	<u>108,722,252</u>	<u>8,207,567</u>	<u>4,971,298</u>	<u>-1,582,621</u>	<u>120,318,496</u>	<u>25,077,695</u>	<u>7,806,748</u>	<u>32,884,443</u>	<u>87,434,053</u>	<u>36,904,587</u>

APPENDIX C

UMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AT 30 JUNE 2011

	Opening Balance	Additions	Cost/ Revaluation Under Construction	Impairment	Closing Balance	Opening Balance	Accumulated Additions	Depreciation Disposals	Closing Balance	Carrying Value
Executive and Council	13,962,529	306,973			14,269,502	1,209,770			1,209,770	13,059,732
Finance and Admin	18,158,112				18,158,112	4,283,178	886,445		5,169,623	12,988,489
Health	72,820				72,820	72,819			72,819	1
Community & Social Services	20,832,490	1,102,263	4,971,298	-1,582,621	25,323,430	3,202,493	1,044,720		4,247,213	21,076,217
Public Safety	852,806				852,806	527,040			527,040	325,766
Waste Management	675,729				675,729	82,806			82,806	592,923
Road Transport	53,026,018	6,798,331			59,824,349	14,564,920	5,875,583		20,440,503	39,383,846
Water	0				0	0			0	0
Other	1,141,748				1,141,748	1,134,668			1,134,668	7,080
	<u>108,722,262</u>	<u>8,207,567</u>	<u>4,971,298</u>	<u>-1,582,621</u>	<u>120,318,496</u>	<u>25,077,695</u>	<u>7,806,748</u>	<u>0</u>	<u>32,884,443</u>	<u>87,434,053</u>

APPENDIX D

UMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2011

<u>2010</u>	<u>2010</u>	<u>2010</u>		<u>2011</u>	<u>2011</u>	<u>2011</u>
Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R		Actual Income R	Actual Expenditure R	Surplus/ (Deficit) R
60,607,922	28,991,884	31,616,038	Executive and Council	56,275,572	28,317,157	27,958,415
4,857,042	21,998,151	(17,141,110)	Finance and Admin	5,009,960	17,256,753	(12,246,793)
		-	Planning and Development			-
	718,556	(718,556)	Health	1,479,596	201,173	1,278,423
1,761,333	4,084,641	(2,323,308)	Community & Social Services	2,015,660	5,374,273	(3,358,613)
		-	Housing			-
183,213	1,478,387	(1,295,174)	Public Safety	121,255	216,581	(95,326)
		-	Sport and Recreation			-
		-	Environmental Protection			-
1,403,434	2,025,602	(622,167)	Waste Management	1,398,935	906,870	492,065
16,897,442	6,711,487	10,185,955	Road Transport	10,970,560	10,381,528	589,032
		-	Water			-
-	-	-	Other	-	-	-
85,710,386	66,008,708	19,701,678	Sub - total	77,271,538	62,654,335	14,617,203
			Less : Inter departmental charges			
85,710,386	66,008,708	19,701,678		77,271,538	62,654,335	14,617,203

APPENDIX E (1)
uMSHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

REVENUE	2011 Actual R	2011 Budget R	2011 Variance R	2011 Variance %	Explanation of significant variances
Property rates	11,587,873	9,691,423	1,896,450	20	
Property rates - penalties imposed and collection charges	856,182	800,000	56,182	7	This is mainly due to the increase in rates debtors
Service charges	1,398,935	1,400,000	(1,065)	(0)	
Rental of facilities and equipment	155,417	150,000	5,417	4	
Interest earned - external investments	381,768	100,000	281,768	282	This was due to the fluctuations in the interest rates. The budgeted interest was very conservative.
Interest earned - outstanding debtors	4,882,578	3,750,000	1,232,578	33	The large increase is due to the increase in debtors.
Fines	121,255	300,000	(178,745)	(60)	This is as result of non payment of traffic fines. Initiatives have been taken to recover outstanding fines
Licences and permits	1,568,411	1,700,000	0		The increase is mainly due to increased in take of learner licences
Income for agency services	0		-	1	
Government grants and subsidies	44,744,348	44,134,000	610,348	(48)	
Other income	230,593	156,000.00	74,593		
MIG Funds	10,844,178	0.00	-		
Gain on disposal of property, plant and equipment	-	-	-		
Total Revenue	77,271,538	62,181,423	3,977,528	6	
EXPENDITURE					
Employee related costs	24,883,099	26,386,799	(1,403,700)	(5)	All budgeted posts were not filled.
Remuneration of Councilors	4,341,717	4,796,624	(453,907)	(9)	The approved increase was lower than budgeted for.
Bad debts	0	150,000	(150,000)	(100)	
Collection costs	80,461				
Amortisation of Intangible Assets	7,806,748	2,100,000	5,706,748	272	The budget for depreciation was under budgeted
Depreciation	3,719,589	6,828,500	(3,109,911)	(46)	Certain expenditure that was budgeted for was not carried out.
Repairs and maintenance	2,386,954	2,500,000	(113,046)	(5)	
Interest paid	0		-		
Bulk purchases	439,009	100,000	339,009	339	Attempts were made to reduce the use of consultants.
Contracted services	0		-		
Grants and subsidies paid	18,058,157	18,219,500	(161,343)	(1)	Certain expenditure that was budgeted for were not incurred.
General expenses	838,621	100,000	738,621	739	The leave reserve was increase to provide for the total leave days due.
Contribution to Reserves		1,000,000			
Total Expenditure	62,654,335	62,181,423	1,392,451	2	
Surplus (Deficit) for the year	14,617,203	-	2,585,075		

APPENDIX E (2)

UMSHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2011

	2011 Actual	2011 Under Construction	2011 Total Additions	2011 Budget	2011 Variance	2011 Variance	%	Explanation of significant variances
	R	R	R	R	R	R		
Infrastructure	0	3,835,715	3,835,715	15,654,194	(11,818,479)			Approved DoE Funding was only made available towards the latter part of the year.
Construction works	6,798,331	0	6,798,331	8,260,393	(1,462,062)			(18) MIG Funding for certain projects for D 1017 was from the
Community Assets	6,798,331	3,835,715	10,634,046	23,914,587	-13,280,541			(56) District and the asset is that of the province thus not capitalised by the municipality.
Land	354,900	0	354,900	0	354,900			
Buildings	482,272	1,135,583	1,617,855	8,990,000	(7,372,145)		(82)	
Other Assets	837,172	1,135,583	1,972,755	8,990,000	-7,017,245		(78)	
Office and accounting machines	306,973		306,973	750,000	(443,027)			Due to cash flow constraints computers were not replaced
Furniture and fittings	265,091		265,091	2,100,000	(1,834,909)			
Radio	0		0		-			
Machinery	0		0	150,000	(150,000)			Due to cash flow constraints certain machinery was not replaced.
Tools	0		0		-			
Air conditioners	0		0		-			
Vehicles	0		0		-			
Other				0				
	572,064	0	572,064	3,000,000	(2,427,936)		(81)	
Total	8,207,567	4,971,298	13,178,865	35,904,587	(22,725,722)		(63)	

APPENDIX F										
UMSHWATHI LOCAL MUNICIPALITY - DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003										
Description	Name of organ of State	Unspent balance at 1 July 2010	Received 2010/2011	Expenditure 2010/2011	Transfer 2010/2011	Unspent balance at 30 June 2011	Grants delayed/ withheld	Reason for delaying/ withholding funds	Compliance with grant conditions YES/NO	Reason for non-compliance
		R	R	R	R	R	R			
MIG		2,894,463	4,114,000	(7,008,463)	0	0			YES	
GRANTS - GENERAL		58,025				58,025			YES	
INDIGENT SUPPORT		0				0			YES	
MAP		0		-		0			YES	
CCI		0				0			YES	
TOURISM		0				0			YES	
FMG		0				0			YES	
MSG		258,627	750,000	(941,816)		56,811			YES	
HOUSING PLAN		66,901	0	-		66,901			YES	
DPLG		0	0	-		0			YES	
PROPERTY RATES		0				0			YES	
MFMA		0				0			YES	
INTER DEPARTMENTAL		0				0			YES	
CDW		0				0			YES	
PLANNING		0				0			YES	
REGIONAL COUNCIL - CRECHE		0				0			YES	
REGIONAL COUNCIL - CEMETERY		0				0			YES	
REGIONAL COUNCIL - TAXI RANK		0				0			YES	
DEPT OF ENERGY		0	7,228,000	(3,835,715)		3,392,285			YES	
FINANCE MANAGEMENT		0	1,500,000	(1,157,814)		342,186			YES	
		3,278,016	13,692,000	(12,943,698)	0	3,926,208				